



## AmeriCorps State and National 2018 Symposium

### Office of the Inspector General

### Working with Grantees to Ensure Oversight and Safeguarding of Federal Funds



**Presented by Carol Bates and Jessica Nelson**

# Purpose



- Understand the Mission of the OIG
- Learn From Common Audit and Investigative Findings
- Walk-Through the Audit Process
- Preventing Fraud in Your Organization
- Obligation to Report Fraud When Identified
- Know How to Contact the OIG

# OIG Mission



- Improve efficiency and effectiveness of CNCS programs and operations
- Prevent and detect waste, fraud, and abuse by:
  1. Conducting audits, evaluations, and investigations;
  2. Recommending policies; and
  3. Keeping the CNCS CEO and Congress informed about deficiencies, recommendations, and corrective actions

# OIG Independence

- By law, OIG is independent of CNCS
- We report directly to Congress and are funded by a separate appropriation
- OIG personnel must remain objective at all times in conducting our work and must be free of personal or organizational conflicts of interest with grantees and subrecipients

# AUDITS



# What is an OIG Audit?

- An OIG audit is a comprehensive review of an organization
- It measures the organization's compliance with the grant terms and conditions according to laws, regulations, and grant provisions
- OIG personnel also review financial management standards
- OIG does not comment on programmatic aspects of grants

# OIG Audit Plan



- Publicly Available
- OIG Risk Assessment
- Legislation
- Materiality
- Single Audit Report Results
- New Program
- Extent of Prior CNCS OIG Audits
- OIG Hotline Tips

# The Audit Process

- Notification
- Planning
- Entrance Conference
- Fieldwork/Testing
- Exit Conference
- Draft Report
- CNCS and Grantee Response
- Final Report
- Resolution of Findings, Recommendations, and Questioned Cost



# The Audit Process (Cont.)

- Audit Duration
- Sub-grantee Selection
- Audit Results and Expectations
- OIG In-house Auditors and External Contracted Auditors

# Audit Planning



- **OIG Auditor**
  - Gather Auditee Information
  - Perform Risk Assessment
  - Create the Audit Program
- **Auditee**
  - Coordinate Entrance Conference with Subrecipients and Others
  - Timely Assemble Documentation Requested by the Auditor
  - Provide full access to documentation, staff, members/volunteers

# Audit Preparation

## Question:

What is the best way to prepare for an audit?

## Answer:

- Maintain adequate accounting systems, policies, and procedures prior to the grant award
- Understand your grant's criteria and budget
- Provide OIG full access to your files, staff and members
- Maintain all grant supporting documents
- Provide timely responses to audit requests

# Oops, we don't have documentation

If the auditors ask for documentation that you don't have:

- It could be a difference between what the auditor asks for and what you call it – discuss what they are asking for
- If the documents do not exist tell the auditor, do not try to create documents – that is worse than not having them

# Audit Fieldwork

- Provide grantee a PBC (prepared by client) list of audit requests
- Coordinate an Entrance Conference between the grantees, subrecipients (as applicable), CNCS OIG, CNCS personnel
- Audit fieldwork is typically 1-2 weeks at the grantee site
- Audit testing may include reviewing cost transactions, member files, and interviewing members

# Final Report



- Grantee response to the draft report
- The OIG auditors incorporate the organization's responses and comments on those responses
- The final report is issued to CNCS, and posted to the OIG's website ([www.cncsoig.gov](http://www.cncsoig.gov)) and to [www.oversight.gov](http://www.oversight.gov) for the viewing public
- A copy is provided to the grantee

# Audit Resolution

- CNCS and Grantee management agree or disagree on proposed corrective actions
- The OIG is given an opportunity to review the proposed corrective actions. However, final decisions are made by CNCS
- CNCS and Grantee management take action to improve operations or correct deficiencies identified in the final audit report
- Debts, if applicable, are established:
  - Collected
  - Payment Schedule

You feel like this after your organization addressed all audit recommendations and resolved all corrective actions...





# Common Accountability Problems

## Criminal History Checks

National Sex Offender Public Website and Criminal History Checks - conduct thorough, timely and document properly, for both staff and members.

# Common Accountability Problems

- System of internal controls should exist on timekeeping under Uniform Grant Guidance
- Timesheets cannot be based on budgeted amounts - actual work only
- Suggestion 1 - periodically, conduct your own timesheet review or audit
- Suggestion 2 – provide mandatory training on how to accurately and timely maintain timesheets

# Common Accountability Problems

Organizations do not:

- Separate accounting records for each Federal grant
- Submit Federal Financial Reports (FFRs) on schedule
- Make sure that the FFRs reconcile to internal accounting records (general ledger)

# Common Accountability Problems

Organizations do not:

- Record match dollars in general ledger, with same detail/documentation as for grant expenditures
- Contemporaneously and adequately document source of match contributions
- Substantiate market value of in-kind match contributions

# Common Accountability Problems

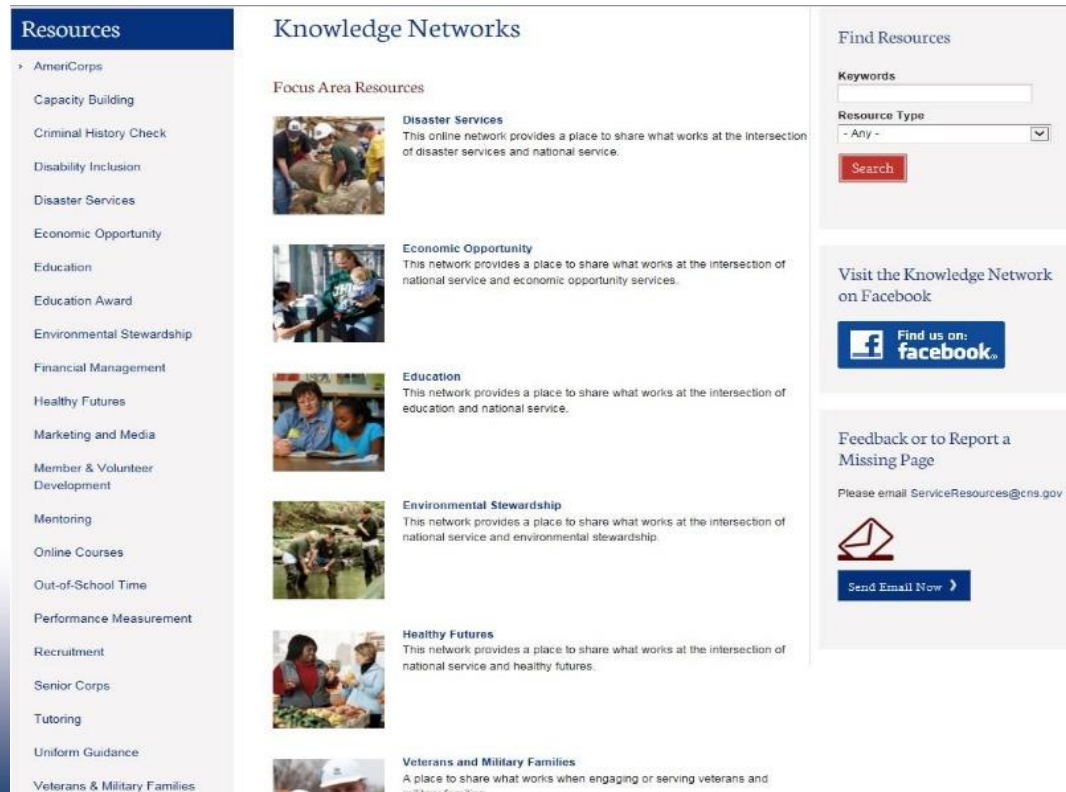
- Ineligible member or lack of supporting documents on member eligibility
- Members issued partial education awards for Compelling Personal Circumstances (CPC) are not eligible or not properly supported
- Members Teleworking

# Fixed Amount Grants

- Grantees receive a grant award for a specific amount (\$800) per MSY, with grant amount subject to adjustment per MSY based on:
  - Education Award Programs (EAP): member enrollment
  - Full-Time and Professional Corps Fixed Amount Grants: partially completed terms of service
- Significantly fewer documentation/reporting requirements under fixed amount grants
- Grantees should ensure accuracy of total member enrollment or member term of service
- Grantee should reconcile member enrollment and MSY data between MyAmeriCorps Portal and grantee's member records
  - Auditors will perform compliance/eligibility testing, including member service hours to verify that the hours are consistent with the grant terms
  - Auditors will not test for allowability of grant costs

# Resources

- Your Program Officer and Grant Officer
- CNCS National Service Knowledge Network Website  
<http://www.nationalservice.gov/resources>
- Learning Management System: Litmos



The screenshot displays the 'Resources' page of the CNCS National Service Knowledge Network. On the left, a vertical sidebar lists various resource categories under the 'Resources' header, including AmeriCorps, Capacity Building, Criminal History Check, Disability Inclusion, Disaster Services, Economic Opportunity, Education, Education Award, Environmental Stewardship, Financial Management, Healthy Futures, Marketing and Media, Member & Volunteer Development, Mentoring, Online Courses, Out-of-School Time, Performance Measurement, Recruitment, Senior Corps, Tutoring, Uniform Guidance, and Veterans & Military Families. The main content area is titled 'Knowledge Networks' and features 'Focus Area Resources' with five entries: Disaster Services, Economic Opportunity, Education, Environmental Stewardship, and Healthy Futures. Each entry includes a small image and a brief description of the network's purpose. On the right side of the page, there is a 'Find Resources' section with input fields for 'Keywords' and 'Resource Type', a 'Search' button, and a link to 'Visit the Knowledge Network on Facebook'. Below this is a 'Feedback or to Report a Missing Page' section with an email address (ServiceResources@cns.gov) and a 'Send Email Now' button.

# Grant Reform



## 2 CFR 200: Uniform Grant Guidance

- Indirect Rates
- Procurement
- Timekeeping
- Subrecipient Monitoring

## Resources

- US Chief Financial Officers Council (<https://cfo.gov//grants/>)
- eCFR (<http://www.ecfr.gov>)
- Grants 101 Training Modules (CFO Council online resources)
- FAQs updated as of July 2017 available on CFO Council web site, (select “Grants”, then select “Uniform Guidance”, then click the hyperlink in the second paragraph)



# Indirect Rates



## Sections 200.412-415

- New de minimis rate: Entities without indirect cost rate can get a de minimis indirect cost rate of 10% of modified total direct costs (direct salaries, fringes, materials and supplies, services, travel, sub-contracts and sub-awards up to \$25,000; does not include rentals, equipment, capital expenditures, tuition remission)
- One time extension of up to four years (for an existing NICRA)
- Pass through entities are required to provide indirect cost rate to sub-grantees

# Procurement



## Sections 200.317-326

- States must use their own policies and procedures; other non-Federal entities must have and follow written procurement procedures
- The non-Federal entity must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of the contract or purchase order
- MUST maintain written standards of conduct; avoid acquisition of unnecessary or duplicative items

# Timekeeping/Personnel Services Compensation




## Section 200.430

Emphasis on internal controls over personnel-related costs.  
Records on time and effort must:

- Be supported by a system of internal control that charges are accurate, allowable, and properly allocated
- Reasonably reflect total activity for which the employee is compensated
- Support the distribution of employee's salary/wages among specific activities/cost objectives
- Support for payroll costs cannot be based on budget estimates made before services are performed

# Timekeeping (Bad) Example

XYZ Non-Profit Organization					
Employee Timesheet					
Name: <u>Anna Grande</u>		Location: <u>Washington, DC</u>			
Activity	11/27/2017	11/28/2017	11/29/2017	11/30/2017	11/31/2017
Jobs Corps - DOL grant#: 123456	2	2	2	2	
	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs	Whatever the budget hours stated: 3 hrs
AmeriCorps - CNCS grant #: 15ACHIL000					
Senior Corps - CNCS grant (FGP & RSVP)	13	3		3 <del>2</del>	3
Dinner with BigMac Miller!! Yeah!			3		
Total	18	8	8	8 <del>7</del>	8
Staff Signature: <u>Anna Grande</u> 11/29/17					
Supervisor Signature: 					

# Subrecipient Monitoring

## Sections 200.330-332

- Include Pass-Through entities audit responsibilities that were in Single Audit
- Include specific information in the sub-award, including the indirect cost rate
- Evaluate each subrecipient's risk of noncompliance with Federal statutes/regulations, and terms and conditions
- Consider if specific sub-award conditions are needed
- Make any necessary adjustment to the pass-through entity's records based on reviews and audits of subrecipient

# Reminders!



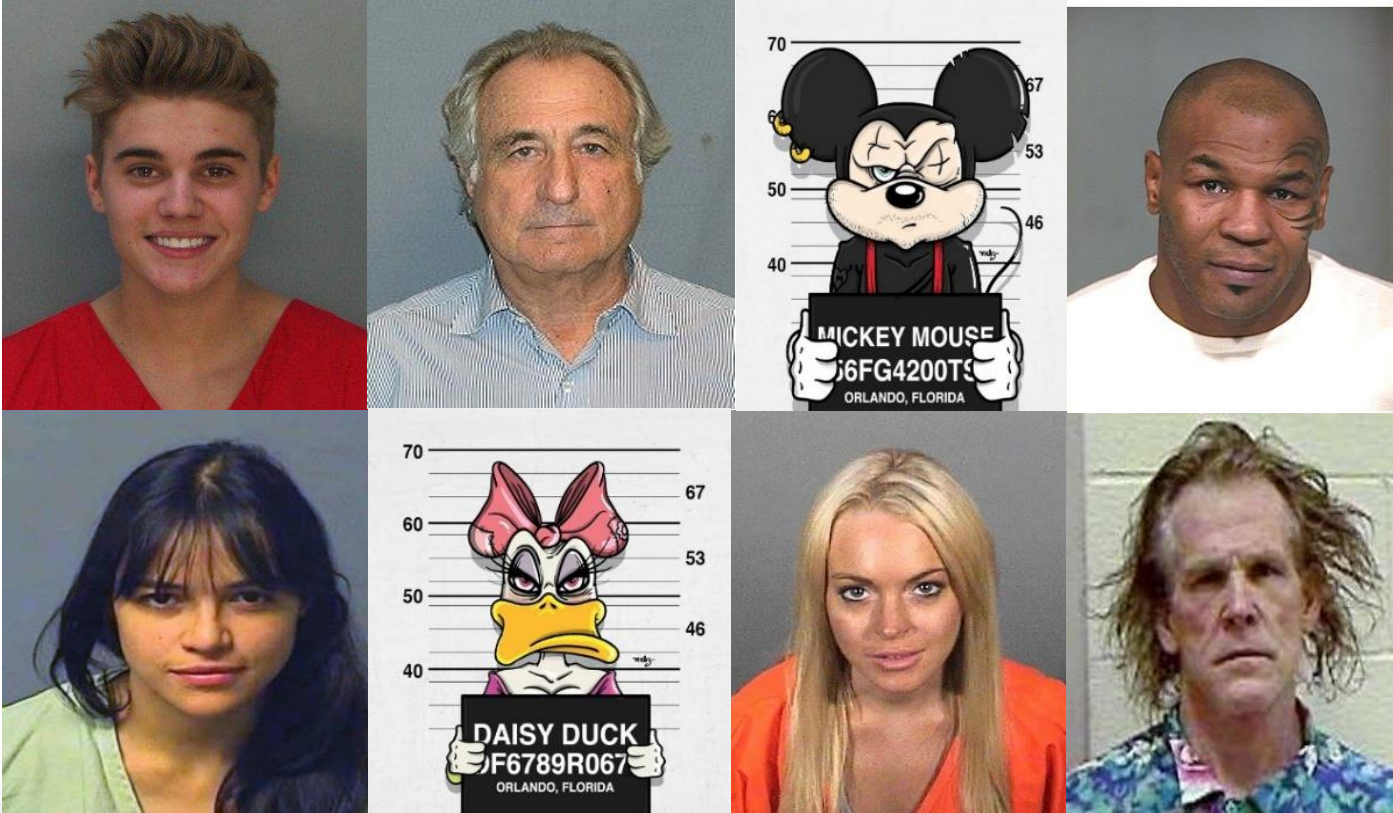
**KEEP  
CALM  
AND  
  
MAY THE  
COMPLIANCE  
BE WITH YOU**

A person in a dark suit, white shirt, and striped tie is pointing their right index finger towards the center of the frame. A bright blue light emanates from the tip of the finger, creating a horizontal lens flare effect across the image. The word "INVESTIGATION" is written in large, bold, white capital letters across the middle of the image, partially obscured by the light effect. The background is dark and out of focus. In the top right corner, there are three white stars and some faint geometric shapes.

# INVESTIGATION



# Who Committed Fraud?





# Fraud



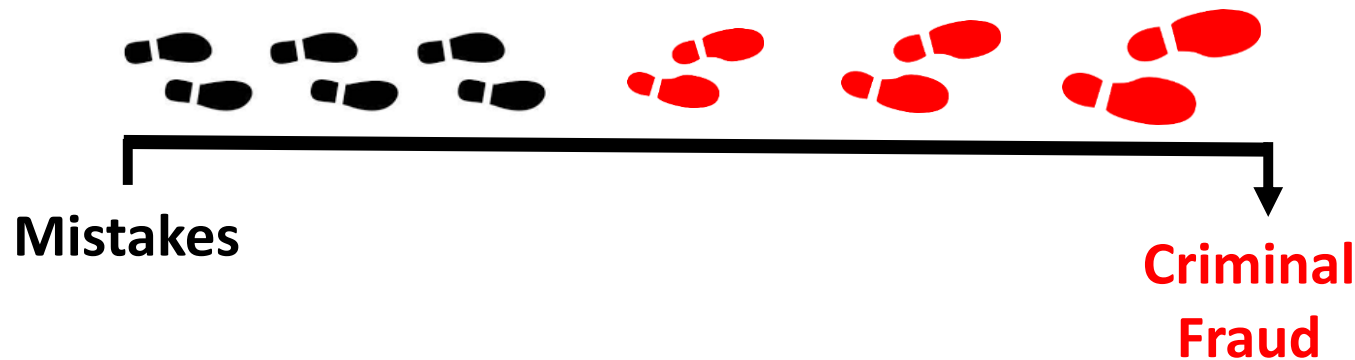
There are a number of definitions, but essentially it is...

- Deliberate deception to secure an unfair gain
- Deceit, trickery, sharp practice, or breach of confidence, perpetrated for profit or to gain some unfair or dishonest advantage. Does not have to result in monetary loss.

## *Layman's terms:*

Lying, cheating, or stealing

Indicators of Fraud, Waste, and Misuse of grant funds can be due to a variety of causes and are rarely a simple “Black and White” issue.



# Fraud Indicators



Fraud indicators are clues that may warrant further review of a specific area or activity. Some of the indicators of fraud include:

- One person in control
- No separation of duties (**common weakness**)
- Lack of internal controls = **virtually inevitable theft**
- No prior audits
- High turnover of personnel
- Inadequate or missing documents
- Altered records

# Motivations for Fraud

- Dissatisfaction
  - Increases likelihood of fraud
    - i.e. perceived lack of appreciation may motivate an employee to commit fraud against his or her employer
- Opportunity
  - Inadequate internal controls
    - i.e. lack of or superficial checks and balances
- Rationalization
  - Fraudulent act is viewed as non-criminal
    - i.e. a sense of entitlement; “I work hard, therefore I deserve...” or that the funds are still being used for the organization, so it’s not like I’m stealing money for myself

# Grant fraud is committed by

- Grant recipients
- Business partners
- Board members
- Program managers/employees
- Bookkeepers
- Financial staff
- Members



***People that embezzle funds can be extremely creative and appear very trustworthy***

# Year in Review

Program Director  
forged numerous  
NSOPW checks

Sex Offender  
allowed to serve

Program staff paid 100%  
from grant, performed  
other duties

Members displaced  
staff/performed  
unallowable service

Members engaged in  
prohibited activities

Program staff and members  
falsified timesheets

Program staff and  
members recorded  
bonus (false) hours

Program staff falsely  
certified Education Awards  
to members who did not  
earn enough hours

Program paid  
members after they  
stopped service

# Investigative Process

- Hotline or Direct Reporting
- Review Information – Personnel, Program, or Fraud
- Determine Who Handles – OIG, CNCS, or Grantee
- Coordinate with Complainant (If known)
- Conduct Preliminary Inquiry or Investigation
- Site Visit
- Coordinate with U.S. Attorney Office, CNCS (Program/Grants), Commission, or Grantee
- Report of Findings
- Resolution

We also conduct proactive inquiries and might stop by for an unannounced visit!

# Scenarios – What do you do?

- Example #1: You are aware that members are going home early and claiming a full day of service on their timesheets.
- Example #2: Employee/member added extra hours on their timesheet and their supervisor was aware.
- Example #3: Your supervisor directed you to add additional hours on your timesheet as a side bonus.



# Notification of Site Visit

OIG investigators informed you they will be in your office next week to investigate an allegation regarding the management of a CNCS grant.

- What would you do?
- What should you do?
- What shouldn't you do?

# Site Visit



- In Brief
- Review Member Files and Fiscal Documents
- Interview Staff (individually)
- Interview Members (individually)
- Visit Service Site(s)
- Interview Recipient of Services
- Out Brief (at discretion of Investigator)

# Case Example #1

## Misuse of Grant Funds

- Investigation revealed the following:
  - Multiple employees not involved with the AmeriCorps program were charged to the grant
  - Costs such as office supplies and items not related to the AmeriCorps program charged to the grant
- Resolution – disallowance of \$50,000

*What type of weaknesses or lack of internal controls could have allowed this to happen?*

# Case Example #2

## False Claims

- Program staff instructed members to record five hours for training on their timesheet, even though the training was less than three hours or didn't occur at all
- Routine monitoring found members adding false hours on their timesheets
- Staff charged their time and effort to multiple grants but collectively exceeded 100% of their time
- Program staff instructed members to add bonus (false) hours on their timesheets and subsequently falsely certified their Education Awards that were not earned

# Potential Timesheet Fraud Indicators

- Supervisor is not reviewing or verifying service hours
- Timesheets with excessive hours (15+ in one day or weekends) – what are the hours of their service site?
- Timesheets submitted weeks/months late
- Timesheets missing signatures
- Multiple revisions/white-out of hours
- Same number of hours everyday (is that typical?)

# Case Example #3

## Altered/Fraudulent NSOPW

- OIG discovered potential altered NSOPW checks
- Grantee typically spot checked files up to several months after members started, when they discovered multiple NSOPW checks were missing
- Employee initially claimed they did not change any documents, but no other employee handled CHCs
- Employee later admitted they altered multiple NSOPW checks to cover up the fact they were either late or never conducted

*What processes and lack of internal controls allowed this to occur undetected? Describe their checks and balances.*

# Criminal History Checks

## **Failure to conduct a proper NSOPW check**

- Exposes a child or adult to a predator = new victim
- The community loses confidence in your program
- CHCs conducted late (usually NSOPW) = \$\$ owed
- CHCs not conducted at all (usually NSOPW) = \$\$ owed
- CHCs on time and filed but not actually reviewed

This is a safety issue that continues after CHCs completed

*What good practices does your organization use?*

# Fraud Prevention

- Periodic review of member files and timesheets
- Unannounced visits to service sites
- Talk to members individually about their service/experience
- Add additional layer of review (CHCs, Timesheets, Expenses, Position Descriptions, CPCs)
- Create Transition Plan/SOPs for future program staff
- Thorough member/site supervisor training
  - Handouts with policies and requirements
- Telework policy
- Board oversight



# Monitoring Visits/Oversight

- Thoroughly review documents, don't just check off that they are in the file (timesheets, CHCs)
- Meet with members/site supervisors (individually)
  - Compare service to position descriptions/grant/program objectives
  - Ask what members don't like about program/suggestions for improvement
  - Ask members/staff if they were given guidance on what to say/not say
- Review budget - compare to staff positions and timesheets (ask how much time they spend on the program and how they document their hours)
- Document everything, include all findings in report, require follow-up with deadlines to correct any findings
- Document all issues or complaints regarding members
  - Do you have a policy on handling member complaints?

# Consequences of Fraud/Deceit

- Lying to Investigators or Auditors is a crime - 18 USC § 1001, 18 USC § 1516
- Knowingly providing fraudulent or altered documents is a crime
- False information in grant applications or reporting false data in performance reports is also a crime

## Possible Repercussions:

- Criminal prosecution (jail)
- Civil remedies against the organization
- Suspension/debarment on grantee and/or individuals
- Debt collection from grantee – administrative remedy

# Summary/Takeaways

- Common findings: timesheets and altered documents
- Document everything in the program (and retain those documents for record)
- Set up good practices to have 2 people check important grant requirements
  - CHCs, volunteer eligibility, timesheets, etc.
- Steal good ideas! Set up spot checks for service sites, timesheets, files, etc. Conduct thorough member/site supervisor training and provide handouts with important regulations/policies (Talk to other grantees in your state for ideas)
- Train staff that knowingly providing false documents/information is a crime - importance of being honest and asking for permission, not forgiveness
- It is everyone's responsibility to follow the rules and report fraud

# Contact the OIG

Your identity can be kept



# Why should you report fraud?

- **You have to!** Grant terms and conditions require immediate notification to OIG when fraud suspected (and to take no further action/investigation)
- **You have to!** Required under the UGG (2 CFR § 200.113)
- To deter others from committing fraud/waste/abuse
- To protect the integrity of the Federal, State, and Local programs
- To avoid being part of the fraudulent/criminal activities
  - We may refer you for suspension/debarment if you failed to report fraud
- To protect the programs in your community from closing if fraudulent activity continues

# Whistleblower Protection

Whistleblower protection now extends to employees, contractors, sub-contractors, grantees, and **sub-grantees** who disclose information related to:

- Gross mismanagement of a Federal contract or grant
- Waste of Federal funds
- Abuse of authority relating to a Federal contract or grant
- Substantial and specific danger to public health and safety
- Violations of any law, rule, or regulation related to a Federal contract or grant



# Where can I find results of OIG Audits and Investigations?

[www.cncsoig.gov](http://www.cncsoig.gov)

[www.oversight.gov](http://www.oversight.gov)

# Hotline

- Report suspected fraud, waste, or abuse
  - Information is confidential
- You may remain anonymous

**1-800-452-8210**

or

**[hotline@cncsoig.gov](mailto:hotline@cncsoig.gov)**

**Visit us at**

**[www.cncsoig.gov](http://www.cncsoig.gov)**





*That's all Folks!*

*Any Questions?*